SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-22378

MOVADO GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	13-2595932 (IRS EMPLOYER IDENTIFICATION NO.)
125 CHUBB AVENUE, LYNDHURST, NEW JERSEY (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	07071 (ZIP CODE)

(201) 460-4800
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for that past 90 days. Yes [X] No [ ]

Indicate the number of shares outstanding of each of the Issuer's classes of Common Stock, as of the latest practicable date.

As of June 7, 2001 the Registrant had 3,509,773 shares of Class A Common Stock, par value $0.01 per share, outstanding and 9,717,898 shares of Common Stock, par value $0.01 per share, outstanding.

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MOVADO GROUP, INC.

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APRIL 30, 2001

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PART 1 - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MOVADO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(Unaudited)

	APRIL 30, 2001	JANUARY 31, 2001	APRIL 30, 2000
ASSETS			
Current assets:			
Cash and cash equivalents	$12,042	$23,059	$20,122
Trade receivables, net	96,414	98,797	95,063
Inventories	104,428	95,863	87,926
Other current assets	25,231	23,501	22,035
Total current assets	238,115	241,220	225,146
Plant, property and equipment, net	33,224	32,906	27,462
Other assets	16,766	16,279	14,372
	$288,105	$290,405	$266,980
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Loans payable to banks	$38,725	$8,800	$33,565
Current portion of long-term debt	5,000	5,000	5,000
Accounts payable	15,182	28,819	15,421
Accrued liabilities	21,845	28,157	13,632
Deferred and current taxes payable	10,768	15,807	6,254
Total current liabilities	91,520	86,583	73,872
Long-term debt	40,000	40,000	45,000
Deferred and non-current foreign income taxes	3,329	3,517	4,277
Other liabilities	948	835	1,220
Total liabilities	135,797	130,935	124,369
Shareholders' equity:			
Preferred Stock, $0.01 par value, 5,000,000 shares authorized; no shares issued	--	--	--
Common Stock, $0.01 par value, 20,000,000 shares authorized; 9,687,960, 9,600,435 and 9,505,298 shares issued, respectively	97	96	95
Class A Common Stock, $0.01 par value, 10,000,000 shares authorized;3,509,733, 3,509,733 and 3,509,733 shares issued and outstanding, respectively	35	35	35
Capital in excess of par value	67,994	67,242	66,122
Retained earnings	137,589	138,176	118,149
Accumulated other comprehensive loss	(25,497)	(18,169)	(18,985)
Treasury stock, 1,556,670, 1,556,670 and 1,043,690 shares, respectively, at cost	(27,910)	(27,910)	(22,805)
	152,308	159,470	142,611
	$288,105	$290,405	$266,980

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED APRIL 30,	
	2001	2000
Net sales	$56,512	$53,339
Costs and expenses:		
Cost of sales	21,568	21,298
Selling, general and administrative	33,890	31,045
Operating income	1,054	996
Net interest expense	1,232	1,226
Loss before tax benefit and cumulative effect of a change in accounting principle	(178)	(230)
Tax benefit	(50)	(57)
Loss before cumulative effect of a change in accounting principle	(128)	(173)
Cumulative effect of a change in accounting principle, net of a tax benefit of $42	(109)	--
Net loss	($237)	($173)
Basic loss per share		
Loss before cumulative effect of a change in accounting principle	($0.01)	($0.01)
Cumulative effect of accounting change	(0.01)	--
Net loss	($0.02)	($0.01)
Weighted basic average shares outstanding	11,629	11,981
Diluted loss per share		
Loss before cumulative effect of a change in accounting principle	($0.01)	($0.01)
Cumulative effect of accounting change	(0.01)	--
Net loss	($0.02)	($0.01)
Weighted diluted average shares outstanding	11,853	12,188

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	THREE MONTHS ENDED APRIL 30, 2001	2000
Cash flows from operating activities:		
Net loss	($237)	($173)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,675	1,317
Deferred and non-current foreign income taxes	--	(663)
Provision for losses on accounts receivable	307	227
Provision for losses on inventory	572	--
Changes in current assets and liabilities:		
Trade receivables	814	7,857
Inventories	(11,330)	(11,978)
Other current assets	(6,136)	(4,793)
Accounts payable	(13,060)	(1,315)
Accrued liabilities	(5,941)	(13,001)
Deferred & current taxes payable	(4,622)	325
Other non-current assets	281	(42)
Other non-current liabilities	113	(177)
Net cash used in operating activities	(37,564)	(22,416)
Cash flows from investing activities:		
Capital expenditures	(2,649)	(1,024)
Goodwill, trademarks and other intangibles	(128)	(168)
Net cash used in investing activities	(2,777)	(1,192)
Cash flows from financing activities:		
Net proceeds from bank borrowings	29,925	20,065
Stock options exercised	753	7
Dividends paid	(349)	(294)
Purchase of treasury stock	--	(2,224)
Net cash provided by financing activities	30,329	17,554
Effect of exchange rate changes on cash and cash equivalents	(1,005)	(439)
Net decrease in cash and cash equivalents	(11,017)	(6,493)
Cash and cash equivalents at beginning of period	23,059	26,615
Cash and cash equivalents at end of period	$12,042	$20,122

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Movado Group, Inc. (the "Company") in a manner consistent with that used in the preparation of the financial statements included in the Company's fiscal 2001 Annual Report filed on Form 10-K. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the aforementioned annual report. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

NOTE 1 - RECLASSIFICATION

Certain prior year amounts have been reclassified to conform to the current presentation.

NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	APRIL 30, 2001	JANUARY 31, 2001	APRIL 30, 2000
Finished goods	$67,714	$60,909	$53,056
Component parts	31,707	30,942	32,450
Work-in-process	5,007	4,012	2,420
	$104,428	$95,863	$87,926

NOTE 3 - DERIVATIVES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective February 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended, which establishes accounting and reporting standards for derivative financial instruments. All derivatives are required to be recorded on the balance sheet at fair value. The Company's policy is to enter into forward exchange contracts and purchase foreign currency option contracts to hedge foreign currency and commodity transactions related to its inventory. The Company formally documents all relationships between hedging instruments and hedged items in accordance with SFAS requirements. These hedging strategies mitigate the impact of foreign currency exchange rate movements for transactions which are denominated primarily in Swiss francs made between the Company's Swiss subsidiaries and all other subsidiaries of the Company and the impact of gold price movements related to the gold used in manufacturing its products. The Company also uses forward contracts to hedge its net balance sheet exposure denominated in non-functional currencies.

The documented hedging derivatives outstanding at February 1, 2001 and April 30, 2001 have been designated as cash flow hedges and accordingly, the effective portion of the change in the fair value of derivatives are recorded each period in accumulated other comprehensive loss ("AOCI"). Change in the fair value of the derivative instruments reported in AOCI will be reclassified to cost of sales during the period in which the hedged inventory is sold to third parties. Adoption of this statement resulted in an increase in AOCI of $367, net of tax of $143, of which $280 is expected to be recorded in cost of sales over the next twelve months. At April 30, 2001, the unrealized net loss recorded in AOCI was $449, net of tax of $174. As of April 30, 2001, $426 of deferred net losses on derivative instruments recorded in AOCI are expected be recognized in cost of sales over the next twelve months.

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

The following is provided as supplemental information to the consolidated statements of cash flows (in thousands):

	THREE MONTHS ENDED APRIL 30,	
	2001	2000
Cash paid during the period for:		
Interest	$1,238	$425
Income taxes	$4,619	$1,557

NOTE 5 - OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the three months ended April 30, 2001 and 2000 are as follows (in thousands):

	2001	2000
Accounting change, net of tax (See note 3)	$ 367	$ --
Effective portion of unrealized losses on hedging contracts, net of tax	(816)	--
Foreign currency translation adjustment	(6,879)	(2,523)
Other comprehensive loss	($7,328)	($2,523)

NOTE 6 - SEGMENT INFORMATION

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires reporting certain financial information according to the "management approach." This approach requires reporting information regarding operating segments on the basis used internally by management to evaluate segment performance. The Company conducts its business primarily in two operating segments: "Wholesale" and "Other". The Company's wholesale segment includes the designing, manufacturing and distribution of quality watches. Other includes the Company's retail and service center operations. Operating segment data as of April 30, 2001 and 2000 are as follows (in thousands):

	NET SALES		OPERATING INCOME	
	2001	2000	2001	2000
Wholesale	$47,065	$44,794	$1,704	$2,205
Other	9,447	8,545	(650)	(1,209)
Consolidated total	$56,512	$53,339	$1,054	$996

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

Statements included under Management's Discussion and Analysis of Financial Condition and Results of Operations, in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission ("SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934. The Company cautions readers that forward looking statements include, without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, capital needs, plans for future operations, effective tax rates, margins, interest costs, and income, as well as assumptions relating to the foregoing. Forward looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward looking statements due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers, changes in consumer preferences and popularity of particular designs, new product development and introduction, competitive products and pricing, seasonality, availability of alternative sources of supply in the case of loss of any significant supplier, the loss of significant customers, the Company's dependence on key officers, the continuation of licensing arrangements with third parties, ability to secure and protect trademarks, patents and other intellectual property rights, ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, continued availability to the Company of financing and credit on favorable terms, business disruptions, general risks associated with doing business outside the United States including, without limitations, import duties, tariffs, quotas, political and economic stability and success of hedging strategies in respect of currency exchange rate fluctuations.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED APRIL 30, 2001 AS COMPARED TO THE THREE MONTHS ENDED APRIL 30, 2000.

Net sales: Comparative net sales by product class were as follows:

	Three Months Ended April 30,	
	2001	2000
Concord, Movado, Coach, ESQ and Tommy		
Domestic	$36,430	$36,473
International	10,635	8,350
Other	9,447	8,516
Net Sales	$56,512	$53,339

Net sales increased by $3.2 million or 5.9% for the three months ended April 30, 2001 as compared to the three months ended April 30, 2000. Domestic sales of our watch brands remained at the same sales level as compared to the prior year. This is a reflection of the slowdown in the retail environment and domestic economy. During the quarter, the Company successfully launched the Tommy Hilfiger watch brand. International core watch brand sales increased by $2.3 million or 27.4% despite a stronger U.S. dollar versus the prior year. Without the impact of the strong U.S. dollar, International sales increased by 30.1% for the quarter. International sales were led by strong increases in our Movado and Concord brands, especially in the Far East and Middle East markets.

Other net sales, which include sales from the Company's outlet stores, the Movado Boutiques and after sales service business, increased by $0.9 million or 10.9%. Growth in the other sales category was primarily attributable to comparable store sales increases in the Movado Boutiques and new store openings. The increases in retail sales were offset by an 11% decrease in comparable store sales in the outlets.

Gross Margin. The gross profit for the three months ended April 30, 2001 was $34.9 million (61.8% of net sales) as compared to $32.0 million (60.1% of net sales) for the three months ended April 30, 2000. Gross margin increases of $2.9 million for the quarter ended April 30, 2001, primarily relate to improved availability of core range product, higher margins on new model introductions, reduced product acquisition costs due to the strength of the dollar against the Swiss franc and increased margins at the Company's outlet stores as a result of improved product offerings.

Selling, General and Administrative. Selling, General and Administrative expenses for the quarter were $33.9 million or 60.0% of net sales, a 9.2% increase over the $31.0 million or 58.2% of net sales in the first quarter of last year. The 9.2% increase was primarily attributable to expenses associated with growth initiatives. These include additional marketing and supply chain costs for the launch of the Tommy Hilfiger watch line, two additional Movado Boutiques opened in the Fall of 2000 and one outlet store.

Interest Expense. Net interest expense for the three months ended April 30, 2001 was relatively flat as compared to interest expenses for three months ended April 30, 2000. Bank borrowing interest was slightly up due to higher rates offset by a decrease in long-term debt interest due to the repayment of $5.0 million of Senior Notes in January 2001.

Income Taxes. The Company recorded a tax benefit of $92,000 for the three months ended April 30, 2001 as compared to a benefit of $57,000 for the three months ended April 30, 2000. Taxes were recorded at a 28% rate for fiscal 2002 as compared to a 25% rate for fiscal 2001. The Company's effective tax rate is 28%, which reflects the Company's current expectation that domestic earnings will gradually increase as a percentage of the overall earnings mix. However, there can be no assurance of this result as it is dependent on a number of factors, including the mix of foreign to domestic earnings, local statutory tax rates and the Company's ability to utilize net operating loss carryforwards in certain jurisdictions.

LIQUIDITY AND FINANCIAL POSITION

Cash flows used in operating activities for the three months ended April 30, 2001 were $37.6 million as compared to a use of $22.4 million for the three months ended April 30, 2000. The increase in cash used in operating activities is the result of higher seasonal inventory build than the prior year, cash outlays for the new Paramus, NJ office and a Movado Boutique and the payment of management bonuses and income taxes.

The Company used $2.8 million of cash for investing activities for the three months ended April 30, 2001 as compared to $1.2 million for the three months ended April 30, 2000. The increase in cash used in investing represents payments made for construction in progress at the new Paramus, NJ office.

Cash provided by financing activities amounted to $30.3 million for the three months ended April 30, 2001 as compared to $17.6 million for the comparable prior year period.

At April 30, 2001, the Company had two series of Senior Notes outstanding. Senior Notes due January 31, 2005 were originally issued in a private placement completed in fiscal 1994. These notes have required annual principal payments of $5.0 million since January 1998. Accordingly, such amounts have been classified as a current liability in fiscal 2002 and 2001. The Company repaid $5.0 million of principal related to these notes in the fourth quarter of fiscal 2001 and is scheduled to repay an additional $5.0 million in the fourth quarter of fiscal 2002. At April 30, 2001, $20.0 million in principal related to these notes remained outstanding.

During fiscal 1999, the Company issued $25.0 million of Series A Senior Notes under a Note Purchase and Private Shelf Agreement dated November 30, 1998. These notes bear interest at 6.90%, mature on October 30, 2010 and are subject to annual repayments of $5.0 million commencing October 31, 2006.

On March 21, 2001, the Company entered into a new Note Purchase and Private Shelf Agreement which allows for the issuance for up to three years after the date thereof, of senior promissory notes in the aggregate principal amount of up to $40.0 million with maturities up to 12 years from their original date of issuance.

During the second quarter of fiscal 2001, the Company completed the renewal of its revolving credit and working capital lines with its bank group. The new agreement provides for a three year $100.0 million unsecured revolving line of credit and $15.0 million of uncommitted working capital lines. At April 30, 2001, the Company had $38.7 million of outstanding borrowings under its bank lines as compared to $33.6 million at April 30, 2000. The increase in borrowings at the end of the first quarter as compared to the prior year period was primarily the result of a reduction in cash balances available to fund seasonal working capital requirements.

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary share buy-back program. There were no current year purchases under the repurchase program as compared to $2.2 million for the comparable prior year period.

The Company paid dividends of $349,000 as compared to $294,000 for the first quarter of fiscal 2002 and fiscal 2001, respectively. The increase is attributable to the raising of the quarterly dividend to $0.03 per share in the first quarter of fiscal 2002 from $0.025 per share in the first quarter of fiscal 2001.

Cash and cash equivalents at April 30, 2001 amounted to $12.0 million compared to $20.1 million at April 30, 2000. The reduction in cash related primarily to the funding of working capital requirements. Debt to total capitalization at April 30, 2001 was 35.5% as compared to 36.9% at April 30, 2000.

The Company expects that capital expenditures in the future will approximate the average of fiscal 2001 and 2000 levels.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOVADO GROUP, INC.
(Registrant)

Dated: June 14, 2001

By: /s/ Kennith C. Johnson
Kennith C. Johnson
Senior Vice President and
Chief Financial Officer
(Chief Financial Officer and
Principal Accounting Officer)

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION